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**State Auditor's Office**

This report contains the results of our financial-compliance audit of the State Auditor's Office (office) for the two fiscal years ended June 30, 2006. This report contains seven recommendations directed to the office concerning noncompliance with state laws, and accounting errors.

We issued an unqualified opinion on the office's financial schedules for fiscal year 2004-05, which means the reader may rely on the financial information and supporting data on the state's accounting records. We issued a qualified opinion on the Schedule of Changes in Fund Balances & Property Held in Trust and Schedule of Total Expenditures & Transfers-Out contained in this report for fiscal year 2005-06. The reader should use caution in relying on the information presented in the financial schedules, as well as the supporting data on the state's accounting system. We issued an unqualified opinion on the Schedule of Total Revenues & Transfers-In for fiscal year 2005-06, which means the reader may rely on the financial information and supporting data on the state's accounting records.

The listing below serves as a means of summarizing the recommendations contained in the report, the office's response thereto, and a reference to the supporting comments.

Recommendation #1

We recommend the office allow only eligible small employers to participate in the Insure Montana Program, as required by state law. .... 6

Office Response: Concur. See page B-3.

Recommendation #2

We recommend the office pay compensation to the Insure Montana Program board members, as required by state law..... 7

Office Response: Concur. See page B-3.

## Report Summary

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<u>Recommendation #3</u>	We recommend the office record the liability for retirement contributions to the Montana Public Employees' Retirement Administration, as required by state law. ....	8
	<u>Office Response:</u> Concur. See page B-4.	
<u>Recommendation #4</u>	We recommend the office comply with state law and record the genetics program fee in the State Special Revenue Fund.....	8
	<u>Office Response:</u> Concur. See page B-4.	
<u>Recommendation #5</u>	We recommend the office comply with state law pertaining to the distribution and investment of federal forest reserve funds. ....	9
	<u>Office Response:</u> Concur. See page B-4.	
<u>Recommendation #6</u>	We recommend the office record examination revenues and Premium Assistance Plan expenditures in accordance with state law and policy. ....	10
	<u>Office Response:</u> Concur. See page B-5.	
<u>Recommendation #7</u>	We recommend the office properly record Agency Fund transactions in accordance with state law and policy. ....	11
	<u>Office Response:</u> Concur. See page B-5.	